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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000480

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [ETRD](#) [EFIN](#) [EAIR](#) [TW](#) [CH](#)
SUBJECT: MAINLAND AFFAIRS COUNCIL CHAIRWOMAN LAI SHIN-YUAN
PREVIEWS APRIL 25-26 CROSS-STRAIT TALKS

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Classified By: Stephen M. Young, AIT Director, for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. In an April 22 meeting with the Director, Mainland Affairs Council Chairwoman Lai Shin-yuan said the April 25-26 third round of cross-strait talks in Nanjing will result in agreements on anti-crime and financial cooperation and scheduled passenger flights, as well as a joint statement on liberalizing PRC investment in Taiwan. Lai said the PRC-Taiwan Economic Cooperation Framework Agreement (ECFA) will not be a formal agenda item, but may be included in the fourth round of talks, which Taiwan hopes to schedule soon after the local elections in early December. Lai dismissed DPP criticisms of the ECFA as politically motivated and lacking in substance. Lai asked for AIT input on the timing of her trip to the U.S., during which she hopes to meet with U.S. counterparts. END SUMMARY.

Agenda for April 25-26 SEF-ARATS talks

¶2. (C) Lai explained that better-than-expected progress during bilateral preparations caused the third round of talks between Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations Across the Taiwan Strait (ARATS) to be moved up to April 25-26, rather than June as originally planned. Holding the talks in April will give the Legislative Yuan (LY) more time to review the agreements before the summer recess, she added. Lai said Vice Chairman Fu Don-cheng will lead MAC's delegation to the talks, and will be joined by Ministry of Economic Affairs (MOEA) staff, who are handling investment discussions. She clarified that agricultural market access will not be on the agenda, but could be addressed during the fourth round of talks, tentatively slated for December. Lai said Taiwan prefers to

hold the talks after the local elections scheduled for December 5.

13. (C) According to Lai, this weekend's talks are slated to produce agreements on anti-crime and financial cooperation, scheduled passenger flights, and a joint statement on liberalizing restrictions on PRC investment in Taiwan. Lai noted that the investment statement will address the "basic principle" of allowing Chinese investment, but will contain "less than the PRC would like" on concrete measures. After the talks, said Lai, the PRC will send a team to Taiwan to follow up on identifying sectors for potential Chinese investment.

14. (C) Talks on anti-crime cooperation have gone more smoothly than expected, noted Lai, and the resulting agreement will give Taiwan and the PRC greater scope to repatriate financial criminals and cooperate in criminal investigations. The financial cooperation pact, she explained, will be an umbrella agreement under which the Financial Supervisory Commission (FSC) will later negotiate three more detailed memoranda of understanding with PRC counterparts on the banking, insurance, and securities sectors.

15. (C) The Director reiterated U.S. interest in securing fifth freedom rights for American carriers on cross-Strait passenger flights. Lai acknowledged foreign interest in enhanced market access, but said the agreement to establish scheduled passenger flights would concentrate on increasing the number of cross-Strait flights and routes. Taiwan "does not oppose" fifth freedom rights for foreign carriers, she noted, but the onus for accepting such liberalization lies

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with China. It might be helpful over time for foreign carriers to make their case directly with the Chinese, she suggested.

Status of ECFA discussions

16. (C) Lai said the talks will not include formal negotiations on a PRC-Taiwan Economic Cooperation Framework Agreement (ECFA). Although the two sides will "exchange views" on the topic in Nanjing, Lai confessed that she was "not sure what kind of language will be raised." She expressed hope that ECFA would be part of the agenda for the fourth round of talks in December. Although PRC President Hu Jintao and Premier Wen Jiabao have both raised the ECFA issue in public, observed Lai, there has been no agreement on how to negotiate the agreement at a technical level. Lai said "I don't feel China is ready yet" to negotiate the ECFA. Lai asserted that Taiwan does not see negotiating the ECFA as a necessary condition for launching bilateral free trade agreement (FTA) talks with Singapore, Japan, the U.S., and other major trading partners. Instead, she argued, the prospect of a Taiwan-PRC ECFA will "encourage" other partners to agree to begin their own FTA discussions with Taiwan.

17. (C) Lai was skeptical of industry assertions that the ECFA is necessary to ensure Taiwan's competitiveness after next year's advent of the ASEAN 1 agreement. The impact of ASEAN 1 will only be felt several years after the agreement's implementation, she maintained. She explained that MOEA, sometimes in cooperation with the MAC, periodically consults with Taiwan SMEs and other industry representatives on cross-Strait policy.

18. (C) Noting that she attended one session of the April 11 DPP National Affairs Forum, Lai described the DPP's arguments against the ECFA as "not convincing" and lacking in specifics. Although conference participants were personally friendly to her, Lai dismissed their criticisms of government policy as "political jargon" lacking specific arguments. Lai

noted she has had only limited interaction with DPP Chairperson Tsai Ing-wen. The two were friendly in the 1980's, said Lai, but saw little of each other when both served in the LY, although in different parties. According to Lai, Tsai did not participate in day-to-day work in the way that she did.

Coordination with LY on cross-Strait policy

¶9. (C) Lai stressed that she has worked to strengthen MAC's relations with the LY, and has held discussions with Speaker Wang Jin-pyng before each round of SEF-ARATS talks. Lai visited the LY on April 20 to brief Wang and other LY leaders on the upcoming talks, although DPP members opted to walk out of the briefing as a "gesture." Lai criticized the DPP for failing to offer more constructive arguments, which, she said, would provide helpful ammunition to the government for its dealings with Beijing. Wang Jin-pyng would like to play a larger role on cross-Strait policy, said Lai. While he does not support holding a referendum on the ECFA issue, she noted, he favors allowing legislators to take part in cross-Strait negotiations, a proposal Lai described as not feasible. Cross-strait agreements should all be "ratified" by the LY, Lai acknowledged. Whether there is a need to change the current practice, which allows agreements to take effect after a notification period but without any LY review

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or action, is an issue for the LY to consider. Lai defended MAC-commissioned public opinion polls showing majority support for ECFA against pan-green criticism. Sounding slightly defensive, she insisted that the polls are prepared by three reputable private firms on a rotating basis, with no politicization.

Lai travel to U.S.

¶10. (C) Lai mentioned her interest in visiting the U.S. sometime in the near future, both to meet with officials in the Obama administration and to conduct speaking engagements. In response to Lai's question about the timing of her visit, the Director suggested a visit may be more useful later in the spring after some key U.S. officials are in place. We promised to report back to Washington Lai's interest in seeing officials there.

Possible agenda for next round of talks

¶11. (C) According to Lai, agenda items for the fourth round of SEF-ARATS talks may include ECFA, agriculture and fisheries issues, and cooperation on public health and infectious diseases. Lai claimed there is no linkage between the timing of the SEF-ARATS talks in Nanjing and progress on more sensitive cross-Strait issues, such as Taiwan's quest for observership at next month's World Health Assembly. The SEF-ARATS talks are on their own track, with meetings scheduled according to the progress in negotiations, she asserted. Lai noted that Taiwan Affairs Office Director Wang Yi will be the most senior PRC official at the Nanjing talks. After the Nanjing talks end, most of the Taiwan delegation will remain in China for two days of seminars with Taiwan investors in Shanghai and Yangzhou.

¶12. (C) COMMENT. Lai's lack of detail in discussing the agenda for this week's talks could reflect the MAC's changing role. In the midst of proliferating cross-Strait contacts, the MAC may be seeing a relative decline in its traditional policy coordination role. Although the administration in general has been criticized for a disorganized approach to the ECFA issue, Lai appeared somewhat out of the loop on the subject. END COMMENT.

